

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3271-08
Bill No.: HCS for HB 1570
Subject: Transportation: Roads and Highways
Type: Original
Date: May 2, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$241,552)	\$0	\$0
State Road	\$205,653,737	\$541,158,260	\$561,500,021
State Transportation	\$20,000,000	\$20,000,000	\$20,000,000
Missouri State Highway Patrol	\$41,749,677	\$104,207,194	\$108,375,481
Total Estimated Net Effect on <u>All</u> State Funds	\$267,161,862	\$665,365,454	\$689,875,502

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$22,842,896	\$56,127,239	\$57,470,370

FISCAL ANALYSIS

ASSUMPTION

SECTION 43.272 - Missouri State Highway Patrol Fund

Officials with the **Department of Public Safety – Missouri State Highway Patrol (MHP)** did not anticipate a fiscal impact. The proposed legislation would not result in any fiscal impact to the Patrol because the 'Missouri State Highway Patrol Fund' is not replacing any of the existing funds. It would only provide the Patrol with an additional source of funding. According to the Department of Revenue, there is no accurate way to forecast the amount of money that would be deposited. Therefore, the Patrol anticipates no impact.

SECTION 142.803 - Motor Fuel Taxes

Officials of the **Office of Administration's Division of Budget and Planning**, the **Department of Transportation** and the **Department of Revenue** projected similar yields from the three cent (\$.03) increase in motor fuel taxes. Division of Budget and Planning officials made the following assumption for fiscal note purposes:

1.5% per year increase in gallons sold

FY 2001 - 3,883,592,765 (actual)

FY 2002 - 3,891,096,656 (estimated)

FY 2003 - 3,949,463,106 (estimated) x \$.03 = \$118,483,893 x 5/12ths = \$49,368,289

FY 2004 - 4,008,705,053 (estimated) x \$.03 = \$120,261,152

FY 2005 - 4,068,835,628 (estimated) x \$.03 = \$122,065,069

Proceeds would be divided between the State Road Fund (70%), Cities (15%), and the County Aid Road Trust (15%).

Department of Transportation officials estimate the removal of the sunset clause would be to prevent the loss of fuel tax revenues as follows: FY 2008--\$20,837,000; FY 2009--\$253,047,000.

ASSUMPTION (continued)

SECTIONS 144.020 & 144.021 - Sales Taxes

Official of the **Office of Administration's Division of Budget and Planning** has estimated that a seven-eighths percent (.875%) increase in sales tax would yield \$567,203,875, of which \$66,207,750 would be due to taxes on motor vehicles. **Oversight** assumes collections for five months of FY 2003, or \$208,748,385 which would be distributed as follows in FY 2003:

Missouri State Highway Patrol Fund (20%) - \$41,749,677

State Transportation Fund - \$20,000,000

State Road Fund - \$146,998,708

Distribution of the sales taxes derived from motor vehicle sales (\$27,586,563) would be:

State Road Fund (75%) - \$20,689,922

Cities (15%) - \$4,137,984

County Aid Road Trust (10%) - \$2,758,656

Distribution of the use taxes derived from motor vehicle sales (\$4,543,073) would be:

State Road Fund (75%) - \$3,407,305

Cities (15%) - \$681,461

County Aid Road Trust (10%) - \$454,307

Distributions in later years assumes four percent (4%) per year increases in sales tax collections.

SECTIONS 226.134 & 226.137 - Bonded Indebtedness Authority

Officials of the **Department of Transportation** noted that this section would not take effect until 2007 and that issuance of new bonds would depend upon authorization by the General Assembly.

SECTION 227.108 - Disadvantaged Business Enterprise (DBE) Participation Plans

Officials of the **Department of Transportation** would not expect significant fiscal impact due

ASSUMPTION (continued)

to these provisions. They also noted that DBE requirements currently only apply to federally funded projects pursuant to 49 CFR Part 26. They said that they believe such requirements on state projects may violate the Missouri constitution.

GENERALLY

Officials with the **Office of the State Treasurer (STO)** assume the proposal will have no fiscal impact on their agency.

ADMINISTRATIVE IMPACT

Division of Taxation

The Business Tax section will have to notify 150,000 businesses of the general revenue tax increase. There will also need to be notification letters sent to the 800 motor fuel and to all cities and counties. These notifications will be implemented through updating current forms and billing letters. The Division of Taxation will not request additional funds for this notification; however, it will require postage of \$40,414 in FY 2003.

Information Technology Bureau (Taxation)

The MITS system will need program changes, including testing requirements to ensure proper tax rates have been applied to the system, produce a mass mailing utilizing a new form letter to inform taxpayers of the increase in the state sales tax rate and provide new rate card. These changes will require 692 hours of programming at a total cost of \$23,085. The state data center charges to implement the proposed legislation are \$4,503.

Division of Motor Vehicle and Drivers Licensing

Vehicle and Driver Service Bureau

The sales tax increase will also generate rejects for the improper amount of tax being submitted. This will have **unknown impact** as the DVSB can not determine the number of actual rejects this proposal will generate.

SECTION B - Election Clause

Officials of the **Secretary of State** estimated advertisement costs for the proposal. Statewide newspaper publications of constitutional amendments cost approximately \$1,157 per newspaper column inch based on estimates provided by the Missouri Press Service, which is then multiplied by three (3) for three multiple printings of the text of the proposal, the introduction, title, fiscal note summary, and affidavit as required by the Constitution and State Statute. Therefore, the proposal would cost \$3,471 per column inch (\$1,157 x 3). The SOS estimates the total number of inches for the proposal to be 50 inches. Therefore, the total cost from the General Revenue

ASSUMPTION (continued)

fund would be \$173,550 (\$3,471 x 50). The proposal would be on the ballot for the November, 2002 general election.

SECTION C - Referenda on Continuing Tax Increases

The election costs for this provision would be outside the scope of the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Cost</u> – Department of Revenue (DOR)			
Increased Div.of Taxation Expenses	(\$68,002)	\$0	\$0
<u>Cost</u> – SOS			
Advertisement Costs	<u>(\$173,550)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	<u>(\$241,552)</u>	<u>\$0</u>	<u>\$0</u>
STATE ROAD FUND			
<u>Income</u> - “Regular” Sales Tax Increase	\$146,998,708	\$396,828,776	\$413,501,927
<u>Income</u> - “Motor V” Sales Tax Increase	\$20,689,922	\$51,642,045	\$53,707,727
<u>Income</u> - Use Tax Increase	\$3,407,305	\$8,504,633	\$8,844,819
<u>Income</u> - Motor Fuel Tax Increase	<u>\$34,557,802</u>	<u>\$84,182,806</u>	<u>\$85,445,548</u>
ESTIMATED NET EFFECT TO STATE ROAD FUND	<u>\$205,653,737</u>	<u>\$541,158,260</u>	<u>\$561,500,021</u>
STATE TRANSPORTATION FUND			
<u>Revenues</u> – MoDOT			
Increased Taxes	<u>\$20,000,000</u>	<u>\$20,000,000</u>	<u>\$20,000,000</u>
MISSOURI STATE HIGHWAY PATROL FUND			
<u>Income</u> - Sales Tax Increase	\$41,749,677	\$104,207,194	\$108,375,481

ESTIMATED NET EFFECT ON MISSOURI STATE HIGHWAY PATROL FUND	<u>\$41,749,677</u>	<u>\$104,207,194</u>	<u>\$108,375,481</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Revenues – Counties and Municipalities</u>			
Motor Fuel Tax	\$14,810,487	\$36,078,346	\$36,619,521
Motor Vehicle Sales Tax	\$6,896,641	\$17,214,015	\$17,902,576
Motor Vehicle Use Tax	<u>\$1,135,768</u>	<u>\$2,834,878</u>	<u>\$2,948,273</u>

ESTIMATED NET EFFECT TO COUNTIES AND MUNICIPALITIES	<u>\$22,842,896</u>	<u>\$56,127,239</u>	<u>\$57,470,370</u>
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FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal. Small businesses would pay the increase in sales tax on goods they purchase which are not intended for resale. Businesses would be required to collect the increase in sales tax from resale customers and remit the amount to the state. The cost for businesses to implement this change is unknown. The costs businesses incur to implement these changes is unknown.

DESCRIPTION

This act would raise additional revenues for transportation purposes:

MISSOURI STATE HIGHWAY PATROL FUND – Established in the state treasury.

FUEL TAX - 3-cent per gallon increase.

SALES TAX - seven-eighths percent (.875%) increase.

USE TAX - seven-eighths percent (.875%) increase.

BOND ISSUANCE – Allows issuance of bonds for fiscal years 2007 to 2022 for highway construction projects.

REFERENDUM CLAUSE - States that this act shall become effective upon voter approval.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

JT:LR:OD (12/00)

SOURCES OF INFORMATION

Department of Transportation

Department of Revenue

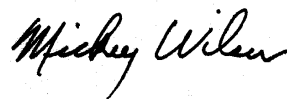
Office of the State Treasurer

Division of Public Safety

Missouri State Highway Patrol

Office of the Secretary of State

Mickey Wilson, CPA

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Acting Director
May 2, 2002